

**Meeting of the
Board of Medical Assistance Services
At the Marriott Hotel, 500 East Broad Street
Richmond, Virginia**

December 9, 2003

DRAFT Minutes

Present:

Rose C. Chu
Phyllis L. Cothran (by phone)
Terone B. Green
Elmer E. Neil, M.D. (Chair)
James T. Parmelee
Robert D. Voogt, Ph.D.
Marc Wheat
Dorn V. Williams, Sr. (by phone)

Absent:

Joseph Green
Manikoth G. Kurup, M.D.
H. Scott Seal

DMAS Staff:

Patrick W. Finnerty, Director
Cynthia Jones, Chief Deputy Director
Manju Ganeriwala, Deputy Director of
Finance & Administration
Cheryl J. Roberts, Deputy Director of Operations
Scott Crawford, Director, Provider Reimbursement Division
Stanley Fields, Director, Division of Cost Settlement & Audit
Paige Fitzgerald, Counsel to the Board
Michael Jay, Director of Budget
Alan MacDonald, Director of Information Management
Nancy Malczewski, Board Liaison
Craig Markva, Manager, Office of Communications &
Legislative Affairs
Javier Menendez, R.Ph., Pharmacy Manager

Speakers:

The Honorable Jane H. Woods, Secretary
Office of the Secretary of Health & Human Resources
Robert E. Hurley, Ph.D., Associate Professor
Virginia Commonwealth University
Bryan Tomlinson, DMAS
Director, Division of Health Care Services
Wayne Turnage, DMAS
Director, Division of Policy & Research
Barbara Hulburt, Facilitator

Guests:

James Pickral, Va. Pharmacists Association
Hobart Harvey, VHCA
Stacey Poole, TAP Pharmaceuticals
Michael Vogt

Call to Order

Dr. Elmer Neil, Chairman of the Board, called the meeting to order at 9:12 a.m. and thanked Department of Medical Assistance Services (DMAS) staff for the hospitality shown at the Board dinner on the previous evening. He asked everyone to introduce themselves starting with Board Members, then DMAS staff and visitors.

Approval of Minutes from September 9, 2003 Meeting

Dr. Neil asked for a motion to review and approve the Minutes of the September 9, 2003, meeting. Mr. Parmelee made the motion to accept the Minutes and Mr. T. Green seconded.

The vote was **6-yes (Chu, T. Green, Neil, Parmelee, Voogt, and Wheat); 0- no.** (According to state "open meeting laws," Ms. Cothran's, and Mr. Williams' vote could not be counted since they were participating via telephone.)

Chairman's Comments

Bylaws: Dr. Neil noted that discussion had occurred at the May 13th Board Meeting regarding Board of Medical Assistance Services' (BMAS) attendance at agency stakeholder meetings. Paige Fitzgerald, Counsel to the Board, had drafted an amendment to the Bylaws that had been sent to the members of the Board. This amendment was to make the Board Members more active in the stakeholder meetings. Mr. T. Green made the motion to accept the amendment. Mr. Wheat seconded the motion. The vote was **6-yes (Chu, T. Green, Neil, Parmelee, Voogt, and Wheat); 0 - no.**

Scheduled Speaker: Patrick Finnerty, DMAS Director, gave a brief overview of the agenda and mentioned that Dr. Rowland of the Kaiser Foundation was supposed to attend the meeting, but had to cancel at the last moment. Mr. Finnerty would give her presentation. However, if the Board would like her to attend a future meeting to speak more thoroughly on the subject, DMAS will attempt to reschedule her.

Officers: Dr. Neil asked the Board to consider who they would like to nominate as officers for next year.

Proposed 2004 Meeting Schedule

There was much discussion on the proposed 2004 meeting schedule (April 13, 2004, June 8, 2004, September 14, 2004, and December 14, 2004). There was disagreement on the length of time that should pass between now and the next meeting. Mr. Parmelee suggested that an additional meeting be scheduled during January or February to receive information on the General Assembly Session. Mr. Finnerty noted that it is very busy for DMAS staff during the General Assembly Session and offered to send BMAS members legislative updates the same as in past legislative sessions. He noted that after the Session, DMAS will brief the Board on all legislative items. Mr. T. Green motioned that the proposed four meeting dates (April 13, 2004, June 8, 2004, September 14, 2004, and December 14, 2004) be accepted as is, Dr. Neil seconded. The vote was **3 yes (Chu, T. Green, and Neil); and 3 no (Parmelee, Voogt, and Wheat).**

Further discussion continued. Ms. Fitzgerald, Board Counsel, noted that if the Board cannot come to a resolution on meeting dates, the Director has authority to set the dates. Dr. Voogt suggested the Board accept these dates, but asked that another meeting be added. Mr. Finnerty stated DMAS would poll the Board members for another meeting date for January or February.

Medicaid: Issues and Challenges

Mr. Patrick Finnerty, DMAS Director, reviewed Dr. Diane Rowland's (Executive Director of the Kaiser Commission on Medicaid and the Uninsured) presentation on "Challenges Facing the Medicaid Program in the 21st Century" that originally was presented to the U.S. Congress' Committee on Energy and Commerce Subcommittee on Health, October 8, 2003.

Due to time limitations and in order to keep on schedule, Mr. Finnerty made a very brief presentation. He directed everyone's attention to the statistical charts and noted how many of the national issues in Medicaid paralleled those facing the Virginia Medicaid program.

(NOTE: A copy of the Kaiser presentation is included as part of the record of the meeting.)

Medicaid Managed Care-Views from the Marketplace

Robert E. Hurley, Ph.D., Associate Professor, Virginia Commonwealth University noted that he has studied Medicaid Managed Care for 20 years; and that more than one-half of all beneficiaries across the country are in a managed care program. He noted that the rising costs made it necessary for the creation of different types of managed care programs such as Health Maintenance Organizations (HMO), Preferred Provider Organizations (PPO), and Point of Service (POS) plans.

Professor Hurley stated that many purchasers have lost confidence in the ability of managed care plans to manage costs. Sharply rising costs for providers for labor, technology, pharmaceuticals, malpractice insurance, and administration make them less willing to grant discounts to managed care plans. There is declining participation of commercial plans as they find Medicaid to be a difficult market to adjust to and achieve success. Many commercial plans have dropped the HMO product which Medicaid is purchasing. He also stated, however, that Virginia's managed care program has fared well over the years.

Dr. Hurley noted that the budget crisis is placing considerable stress on all parties as many states have frozen rates or rolled them back in recent years. There was discussion on the fair rate of profitability, and making profit from Medicaid. He indicated that while managed care plans have agreed to stay the course during the current round of rate freezes, if the rates are not increased next year, some plans may have to terminate their participation in Medicaid programs in various states across the nation.

(NOTE: A copy of Dr. Hurley's presentation is included as part of the record of the meeting.)

State Budget Outlook for the 2004-06 Biennium

Mr. Wayne Turnage, Director, Division of Policy and Research, reviewed where State revenue comes from and where the General Fund budget goes; the roots of the current state budget problem; how the problem was addressed; how fiscal year 2003 ended; and the projected budget for 2004-06.

State Budget Outlook for the 2004-06 Biennium (continued)

Mr. Turnage noted the state revenue comes from both general taxes, and from earmarked taxes and fees. He illustrated the breakdown of how these funds are expended such as: aid to localities, aid to individuals, higher education, etc. He continued that Virginia experienced extraordinary revenue growth; expanded its existing commitments; and made new spending commitments during the late 1990s and 2000-2001. Virginia's significant budget problem arose soon after the extraordinary revenue growth subsided. He discussed how the budget problem was addressed by Governor Warner with budget reductions, additional revenues, and alternative funding strategies.

Mr. Turnage closed with a discussion of the budget shortfall projection for the 2004-2006 biennial budget. He discussed the major factors and the continued growth in major budget drivers, such as Medicaid. It is estimated that the budget shortfall that will have to be addressed in the upcoming budget will be approximately \$1.05 billion.

Overview of DMAS Pharmacy Initiatives

Mr. Bryan Tomlinson, Director, Division of Health Care Services, presented an update on the development of the Medicaid Preferred Drug List (PDL) program and other Medicaid pharmacy program initiatives. He noted why transformation in the pharmacy program was necessary. In the presentation, Mr. Tomlinson: discussed the integration of new information technology and professional staffing; identified several expert panels that have assisted DMAS in this initiative; reviewed the managed prescription drug benefits and the preferred drug list (PDL) program; discussed the "phase-in" approach that is being used to implement the initial list of drug classes in the PDL program; and described the threshold/polypharmacy program which is designed to limit the number of recipients receiving multiple prescriptions that are not medically necessary.

Mr. Tomlinson noted that the rising costs of health care and the State budget crisis made it necessary to control rapidly increasing pharmacy costs, conform to the industry standard, and to address patient safety and health concerns. Regarding the PDL program, he provided details about the "phase-in" process. The PDL program will begin on January 5, 2004, with "soft edits" so that physicians and pharmacists would be advised when a drug is not on the PDL; however, during this phase, a prior authorization request would not be required. "Hard edits" will begin later in the month at which time a prescribed drug that is not on the PDL will require a prior authorization. Initially, the PDL will apply to only 13 classes of drugs. However, additional classes of drugs will be phased-in throughout the year.

Mr. Tomlinson mentioned how the threshold/polypharmacy program is aimed to improve patient safety and quality of care with the drug utilization reviews. Patient profiles with more than nine unique prescriptions are subject to clinical review; where a potential for drug-to-drug interaction, or dosages too high could affect the patient's health or safety.

Overview of Virginia's Financial Picture

The Honorable Jane H. Woods, Secretary of Health & Human Resources presented an overview of Governor Warner's Budget and Tax Reform Plan. (A copy of a Powerpoint presentation is attached to the minutes.) She mentioned that in past years several actions were taken to lower state expenditures, such as the elimination of agencies, boards, commissions, and positions from state government and that each state agency had to reduce their budgets to produce significant savings. She discussed the various components of the tax reform plan including: closing corporate loopholes for companies that are headquartered in another state; reducing the food tax; making various changes in deductions and exemptions; increasing the sales tax; increasing the cigarette tax; eliminating the marriage penalty; and eliminating the car tax which is currently frozen at 70 percent. There were several questions and discussion regarding various aspects of the plan.

Mr. T. Green asked that the Board support the Governor's tax plan and send a letter to the Governor that the Board of Medical Assistance Services is behind his plan. Ms. Fitzgerald noted that there was no longer a quorum. There was discussion about a draft letter for the Board members' signatures, or separate letters be sent to each Board member to sign and then the Board Chair would send all letters with his cover letter. It was decided that DMAS staff would poll the members as to who wanted to sign a letter to the Governor and provide a draft letter for members to review.

Secretary Woods thanked the Board for their work and the members' support.

Board Discussion of Issues

Ms. Barbara Hulburt, a professional mediator and facilitator, led a discussion by the Board members of issues they would like for the Board to address in future meetings, and whether they wanted any changes in how the Board functions. This discussion was interrupted twice, once by a hotel fire alarm which required all in attendance to leave the building for about 20 minutes. The meeting resumed, but was cut short by an earthquake that required the meeting to adjourn. During the abbreviated discussion, several issues were raised including: (i) absenteeism by Board members and how best to address this; (ii) what is required by the Commonwealth's "open meetings" law, and how members can participate by telephone, have their participation count toward having a quorum, and have their votes counted; and (iii) the role(s) and function of the Board, and how the Board fits into the organizational structure of DMAS. It was decided that DMAS and Ms. Fitzgerald will prepare information for the Board to be discussed at the next meeting.

OLD BUSINESS

Regulatory Activity Summary

There was no time to discuss the Regulatory Activity Summary, but it was noted that the Summary was in the members' binders.

New Business

No new business was discussed.

Public Comment

There were no visitors at this time, and no one had signed up for public comment.

Adjournment

Dr. Neil thanked Ms. Hulburt for her time and assistance. The meeting was adjourned at 4:00 p.m.